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理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

CONTINUING CONNECTED TRANSACTIONS

Since 2008, Jiangsu Paper, an indirect wholly-owned subsidiary of the Company, had purchased various industrial chemical products as raw materials from Jiangsu Chemical. Jiangsu Chemical is an indirect wholly-owned subsidiary of Lee & Man Holding, an associate of Mr Lee Wan Keung Patrick, the ultimate controlling shareholder of the Company. Accordingly, the purchase of industrial chemical products by Jiangsu Paper from Jiangsu Chemical constituted continuing connected transactions under the Listing Rules.

No formal sale and purchase agreement had been previously entered into for the purchases of industrial chemical products (other than the usual purchase orders) as the Continuing Connected Transactions were carried out on a small scale and the transaction amounts did not exceed 0.1% of the applicable percentage ratios of the Listing Rules for any financial year and were therefore exempt from the reporting, announcement and independent Shareholders' approval requirements.

On 28 July 2010, Jiangsu Paper and Jiangsu Chemical entered into a Purchase Agreement for the purchases of industrial chemical products. The applicable percentage ratios with reference to the Annual Caps of the Continuing Connected Transactions under the Purchase Agreement estimated for the year ending 31 March 2011 exceed 0.1% but are expected to be less than 5%. Consequently, the Continuing Connected Transactions under the Purchase Agreement are subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

PURCHASES OF INDUSTRIAL CHEMICAL PRODUCTS FROM JIANGSU CHEMICAL

Since 2008, Jiangsu Paper, an indirect wholly-owned subsidiary of the Company, had purchased various industrial chemical products as raw materials from Jiangsu Chemical. Jiangsu Chemical is an indirect wholly-owned subsidiary of Lee & Man Holding, an associate of Mr Lee Wan Keung Patrick, the ultimate controlling shareholder of the Company. Accordingly, the purchases of industrial chemical products by Jiangsu Paper from Jiangsu Chemical constituted continuing connected transactions under the Listing Rules.

Details of these continuing connected transactions have been disclosed in the Company's published annual report for the year ended 31 March 2010.

HISTORICAL SALES OF INDUSTRIAL CHEMICAL PRODUCTS

Jiangsu Paper placed purchase orders with Jiangsu Chemical on an "as-required" basis and monthly invoices were issued by Jiangsu Chemical to Jiangsu Paper. No formal sale and purchase agreement had been previously entered into for the purchases of industrial chemical products as the Continuing Connected Transactions were carried out on a small scale and the transaction amounts did not exceed 0.1% of the applicable percentage ratios of the Listing Rules for any financial year and were therefore exempt from the reporting, announcement and independent Shareholders' approval requirements.

The transaction amounts of the Continuing Connected Transactions for the year ended 31 March 2010 was HK\$9,828,000.

On 28 July 2010, Jiangsu Paper and Jiangsu Chemical entered into a Purchase Agreement for the purchases of industrial chemical products. The applicable percentage ratios with reference to the Annual Caps of the Continuing Connected Transactions under the Purchase Agreement estimated for the year ending 31 March 2011 exceed 0.1% but are expected to be less than 5%. Consequently, the Continuing Connected Transactions under the Purchase Agreement are subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

NEW PURCHASE AGREEMENT

In anticipation of the Group's future demand of industrial chemical products, Jiangsu Paper has entered into a Purchase Agreement with Jiangsu Chemical. The principal terms of the Purchase Agreement is set out as follows:

Purchase Agreement

Date: 28 July 2010

Parties: (i) Jiangsu Paper (an indirect wholly-owned subsidiary of the Company)
(ii) Jiangsu Chemical

Key terms: Jiangsu Paper will purchase various industrial chemical products from Jiangsu Chemical at a price based on the prevailing market price per ton at time of placing order by Jiangsu Paper. Jiangsu Chemical will be responsible for the transportation of the industrial chemical products to

Jiangsu Paper while the transportation costs will be borne by Jiangsu Paper. There is no minimum amount of industrial chemical products required to be purchased by Jiangsu Paper. Jiangsu Paper shall allow the auditors of Jiangsu Chemical sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions in accordance with the Listing Rules.

Term of agreement: 3 years commencing with effect from 1 July 2010 until 30 June 2013.

Delivery/Payment: Purchase orders will be made by Jiangsu Paper to Jiangsu Chemical and Jiangsu Chemical is required to deliver the specified type and amount of industrial chemical products to Jiangsu Paper within 3 business days. Jiangsu Chemical will issue monthly sales invoices to Jiangsu Paper and such invoices shall be settled in cash by Jiangsu Paper within 30 days of the date of issue of the sales invoices by Jiangsu Chemical.

The price and terms of payment under the Purchase Agreement were determined by reference to the prevailing market prices and were on terms no less favourable to the Company than those in respect of independent third parties.

ANNUAL CAPS

The Annual Caps for the Continuing Connected Transactions are as follows:

Amount		
Year ending 31 March 2011	Year ending 31 March 2012	Year ending 31 March 2013
RMB22,000,000 (approximately HK\$25,300,000)	RMB28,500,000 (approximately HK\$32,800,000)	RMB30,000,000 (approximately HK\$34,500,000)

The Annual Caps have been determined by reference to (i) the value of historical sales between Jiangsu Chemical and Jiangsu Paper for the year ended 31 March 2010, (ii) Jiangsu Paper's own anticipated consumption requirements and (iii) the production capacity and estimated quantity of industrial chemical products to be manufactured by Jiangsu Chemical, and (iv) market price fluctuations during the next three years.

The Directors, including the independent non-executive Directors, are of the opinion that the purchases of industrial chemical products are made at arm's length negotiations and represented normal commercial terms which were no less favourable to the Company than terms available to independent third parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS AND BENEFITS FOR THE PURCHASES OF INDUSTRIAL CHEMICAL PRODUCTS

The Group is a large-scale paper manufacturer and specializes in the production of linerboard and corrugated medium. The principal business of Jiangsu Paper is manufacturing and trading of paper. Lee & Man Holding and its subsidiaries are principally engaged in the manufacture and sale of handbags and industrial chemical production. The principal business of Jiangsu Chemical is in the production and sales of chloromethane products, including caustic soda and hydrogen peroxide. The Purchase Agreement will secure a long-term and steady supply of industrial chemical products to ensure fulfilment of the Company's production needs. The close proximity of the Group's production facilities in Jiangsu and the production facilities of Lee & Man Holding also reduces transportation costs and provides a convenient and efficient platform for the Group's purchases of industrial chemical products from Jiangsu Chemical.

GENERAL

Jiangsu Chemical is an indirect wholly-owned subsidiary of Lee & Man Holding. Mr Lee Wan Keung, is also the ultimate controlling shareholder of both Lee & Man Holding and the Company (through his shareholding interest in Gold Best, the controlling shareholder of the Company). As at the date of this announcement, Gold Best is interested in approximately 51% of the shares of the Company and Mr Lee Wan Keung is interested in 51% of the shares in Gold Best. Accordingly, the purchase of industrial chemical products constitute continuing connected transactions under the Listing Rules. The Company does not hold any shares in Lee & Man Holding and vice versa as at the date of this announcement.

Since each of the applicable percentage ratios with reference to each of the Annual Caps for the purchases of industrial chemical products is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules. Details of the Continuing Connected Transactions will be disclosed in the Company's next published annual reports in compliance with the requirements under the Listing Rules.

DEFINITIONS

The following defined terms are used in this announcement:

“associate”	has the meaning ascribed thereto in the Listing Rules;
“Annual Caps”	the maximum annual amount of purchases of industrial chemical products by Jiangsu Paper from Jiangsu Chemical for each of the three financial years ending 31 March 2011, 2012 and 2013;
“Board”	the board of Directors;

“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Continuing Connected Transactions”	the purchases of industrial chemical products by Jiangsu Paper from Jiangsu Chemical (an indirect wholly-owned subsidiary of Lee & Man Holding), which constitutes continuing connected transactions of the Company under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Gold Best”	Gold Best Holdings Ltd, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of Lee & Man Holding;
“Jiangsu Paper”	Jiangsu Lee & Man Paper Manufacturing Company Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Lee & Man Holding”	Lee & Man Holding Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
"Purchase Agreement"	the agreement dated 28 July 2010 entered into between Jiangsu Chemical and Jiangsu Paper in relation to Jiangsu Paper’s purchase of industrial chemical products from Jiangsu Chemical;
“RMB”	Renminbi, the lawful currency of PRC;

“Shareholder(s)”	holder(s) of share of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“ton”	a metric ton, a measurement of mass equal to 1,000 kilograms;
“%”	per cent.

By order of the Board
Lee & Man Paper Manufacturing Limited
Lee Wan Keung Patrick
Chairman

Hong Kong, 28 July 2010

As at the date of this notice, the board of directors of the Company comprises four executive directors, namely Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond, Mr Lee Man Bun and Mr Kunihiko Kashima, two non-executive directors, namely Professor Poon Chung Kwong and Mr Yoshio Haga, and three independent non-executive directors, namely Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.

* *For identification purposes only*